

REDEVELOPMENT AGENCY STAFF REPORT

MEETING DATE: April 28, 2004

MARCH 2004 FINANCE & INVESTMENT REPORT

| Prepared By: | |
|--------------------|--|
| Finance Director | |
| Submitted By: | |
| Executive director | |

Agenda Item # 1

RECOMMENDED ACTION:

Accept and File Report

EXECUTIVE SUMMARY: Attached is the monthly Finance and Investment Report of the Redevelopment Agency of the City of Morgan Hill for the month of March 2004. The report covers activity for the first nine months of the 2003/2004 fiscal year. A summary of the report is included on the first page for the Board's benefit.

The Redevelopment Agency monthly Finance and Investment Report is presented to the Agency Board and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity of the Redevelopment Agency.

FISCAL IMPACT: As presented.

REDEVELOPMENT AGENCY OF THE CITY OF MORGAN HILL

Monthly Financial and Investment Reports

March 31, 2004 - 75% Year Complete



Prepared by:

FINANCE DEPARTMENT



REDEVELOPMENT AGENCY OF THE CITY OF MORGAN HILL, CALIFORNIA

FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2003/04 FOR THE MONTH OF MARCH 2004 - 75% OF YEAR COMPLETE

Revenues

Through March 31, the Redevelopment Agency received \$11,761,840 in property tax increment revenues. Most property tax increment revenues are received between December and April. The Redevelopment Agency, as of March 31, 2004, has collected \$100,000,000 in tax increment revenue under the original plan and has collected \$67,786,061, net of pass-through obligations to other agencies, toward the plan amendment cap of \$147,000,000. Since the \$100 million tax increment cap for the original plan was reached during 1999/2000, all tax increment revenues collected during 2003/2004 were collected under the plan amendment.

An amount of \$206,830 in interest earnings has been received through December. Additional interest earnings earned for the quarter ended March 31 have not been included and will be posted in April. Other revenues represent charges for services and total \$165,990.

Expenditures

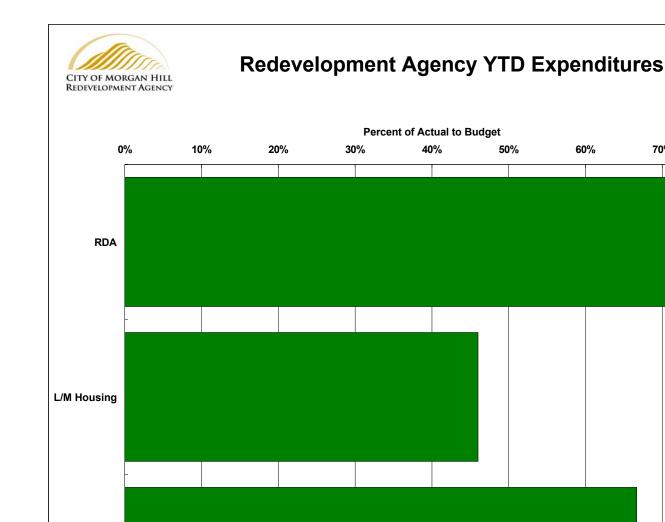
Total Redevelopment Agency Capital Projects expenditures and encumbrances equaled \$29,174,732 and were 71% of budget. Of this total, \$8,253,189 represented encumbrances for capital projects and other commitments. If the encumbrances were excluded, the RDA would have spent only 51% of the budget. Expenditures for administrative costs for employee services, supplies, and contract services were 60% of budget. During July, the Agency made a \$2.55 million installment payment towards the purchase of the Sports Complex property. During July, the Agency also spent approximately \$3.5 million for the purchase of the Courthouse Facility property and, in March, spent another \$875,000 toward construction of the Courthouse Project. The Agency has incurred \$4.6 million in acquisition and construction costs related to the Butterfield Blvd. Phase IV Project, has incurred \$5.0 million in costs associated with the construction of the Aquatics Complex, and has incurred \$800,000 in street resurfacing costs. In addition, the Agency purchased land behind City hall from the City at a cost of \$1.7 million in March. Capital Projects 2003/04 expenditures used monies collected under the plan amendment.

Budgeted expenditures plus encumbrances for Housing were at 46% of the budget for a total of \$4,338,304. During July, the Agency paid approximately \$3 million for the purchase of the Royal Court Apartments. Although certain loans and grants for various housing loan and grant programs have been committed, the related funds have not been drawn down by the recipients and, hence, are not reflected in the expenditures. All of the 2003/04 housing related expenditures has been funded with tax increment collected under the plan amendment.

Fund Balance

The unreserved fund balance of negative (\$1,258,709) for the Capital Projects Fund at March 31, 2004, reflected the large amount of current contract encumbrances, not yet expended, and consisted entirely of monies collected under the plan amendment. The unreserved fund balance included future obligations to pay an additional \$2.7 million for the Courthouse Facility, an additional \$3,250,000 for purchase of the Gunderson property, and \$1.61 million for the Lomanto property should the Agency agree to execute its option to purchase in accordance with the agreement. If all these future commitments were subtracted from the negative (\$1,258,709), the remaining unreserved fund balance at March 31 would be a negative (\$8,818,709). However, these commitments are expected to be paid out over the next 2 to 3 years. Staff will bring a short-term borrowing plan to the Board in the near future to finance cash flow needs, as provided for in the 2003/04 budget. The Capital Projects Fund cash balance at March 31 was \$7,011,112.

The unreserved fund balance of \$4,755,356 for the Housing Fund at March 31 consisted of funds all collected under the plan amendment.



Total

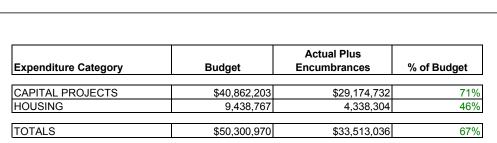
% Year

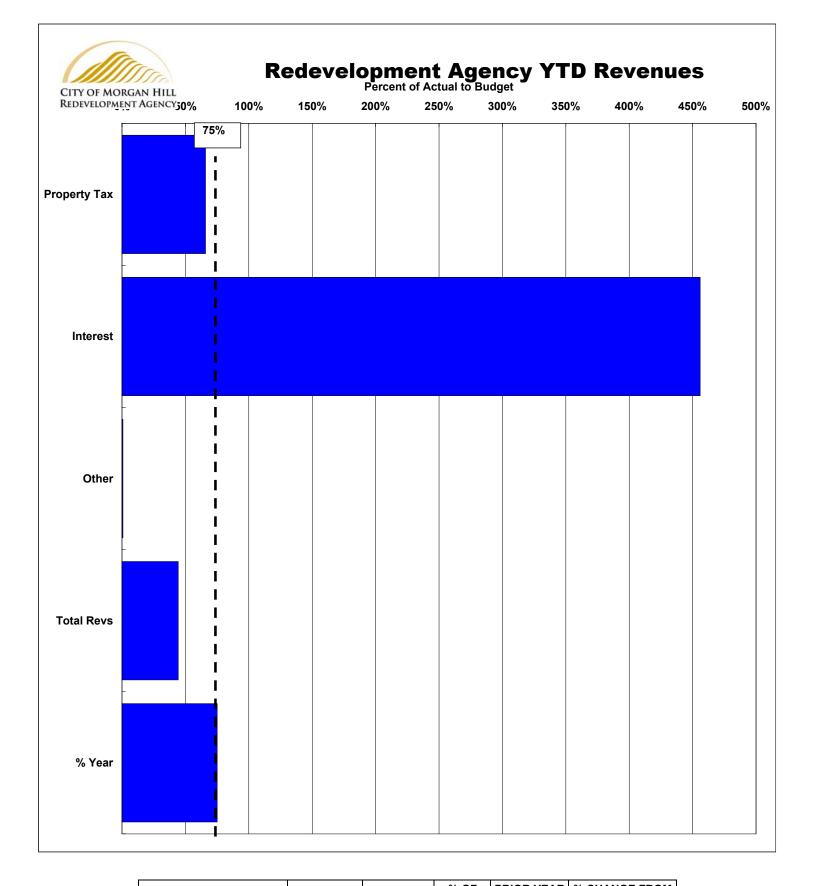
75%

80%

70%

60%





| | | | _ | % CHANGE FROM |
|--------------|--------------------------|---|---|---|
| BUDGET | ACTUAL | BUDGET | TO DATE | PRIOR YEAR |
| Ţ | | | | |
| \$17,877,658 | \$11,761,840 | 66% | \$11,508,682 | 2% |
| \$45,364 | \$206,830 | 456% | \$298,134 | -31% |
| \$23,536,663 | \$165,990 | 1% | \$45,962 | 261% |
| | | | | |
| \$27,373,112 | \$12,134,660 | 44% | \$11,852,778 | 2% |
| | \$45,364 \$23,536,663 | \$17,877,658 \$11,761,840 \$45,364 \$206,830 \$23,536,663 \$165,990 | \$17,877,658 \$11,761,840 66% \$45,364 \$206,830 456% \$23,536,663 \$165,990 1% | \$17,877,658 \$11,761,840 66% \$11,508,682 \$45,364 \$206,830 456% \$298,134 \$23,536,663 \$165,990 1% \$45,962 |



Redevelopment Agency
Fund Balance Report - Fiscal Year 2003/04
For the Month of March 2004
75% of Year Complete

| | | | Revenue | s | Expenditu | res | Year to-Date | Ending Fu | nd Balance | Cash and In | vestments |
|---------|----------------------------|---------------------|------------|------------|------------|------------|--------------|-----------------------|-------------|--------------|------------|
| Fund | | Fund Balance | YTD | % of | YTD | % of | Deficit or | | | | |
| No. | Fund | 06-30-03 | Actual | Budget | Actual | Budget | Carryover | Reserved ¹ | Unreserved | Unrestricted | Restricted |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| 047 | CARITAL PROJECTO | COO 000 F40 | 0.004.000 | 400/ | 00 004 540 | E40/ | (44 500 705) | 40 540 500 | (4.050.700) | 7.044.440 | |
| 317 | CAPITAL PROJECTS | \$20,860,548 | 9,321,808 | 40% | 20,921,543 | 51% | (11,599,735) | 10,519,522 | (1,258,709) | | |
| 327/328 | HOUSING | \$24,240,428 | 2,812,852 | 73% | 4,270,824 | 45% | (1,457,972) | 18,027,099 | \$4,755,356 | 4,828,385 | |
| | | | | | | | | | | | |
| TOTAL C | APITAL PROJECT FUNDS | <u>\$45,100,976</u> | 12,134,660 | <u>44%</u> | 25,192,367 | <u>50%</u> | (13,057,707) | 28,546,621 | 3,496,647 | 11,839,497 | |
| | | | | | | | | | | | |
| SUMMAR | RY BY FUND TYPE | | | | | | | | | | |
| | | | | | | | | | | | |
| | CAPITAL PROJECTS GROUP | \$45,100,976 | 12,134,660 | 44% | 25,192,367 | 50% | (13,057,707) | 28,546,621 | 3,496,647 | 11,839,497 | |
| | | • | | | | • | • | | | | |
| | TOTAL ALL GROUPS | \$45,100,976 | 12,134,660 | 44% | 25,192,367 | <u>50%</u> | (13,057,707) | 28,546,621 | 3,496,647 | 11,839,497 | |
| | | | | | | | | | | | |
| | TOTAL CASH AND INVESTMENTS | | | | | | | | | 11,839,497 | |

¹ Amount reserved for encumbrances, fixed asset replacement, long-term receivables



Redevelopment Agency Year to Date Revenues - Fiscal Year 2003/04 For the Month of March 2004 75% of Year Complete

| FUND REVENUE SOURCE | ADOPTED BUDGET | AMENDED BUDGETED | CURRENT YTD ACTUAL | % OF BUDGET | PRIOR YTD | INCREASE (DECREASE) FROM PRIOR YTD | % CHANGE |
|--|----------------------------------|---------------------------|------------------------------|-----------------------------|----------------------------|---|-------------------------|
| CAPITAL PROJECTS FUNDS | | | | | | | |
| 317 CAPITAL PROJECTS | | | | | | | |
| Property Taxes & Supplemental Roll Development Agreements | 14,086,573 | 14,086,573 | 9,034,195 | 64% n/a | 9,027,512 | 6,683 | 0% n/a |
| Interest Income, Rents Other Agencies/Current Charges | 9,450,000 | 23,536,573 | 122,746 164,867 | n/a <u>1%</u> | 218,437 45,243 | (95,691) 119,624 | -44% <u>264%</u> |
| TOTAL CAPITAL PROJECTS | 23,536,573 | 23,536,573 | 9,321,808 | 40% | 9,291,192 | 30,616 | <u>0%</u> |
| 327/328 HOUSING | | | | | | | |
| Property Taxes & Supplemental Roll Interest Income, Rent Other | 3,791,085 45,364 <u>90</u> | 3,791,085 45,364 90 | 2,727,645 84,084 1,123 | 72% 185% <u>1248%</u> | 2,481,170 79,697 719 | 246,475 4,387 404 | 10% 6% <u>56%</u> |
| TOTAL HOUSING | 3,836,539 | 3,836,539 | 2,812,852 | <u>73%</u> | 2,561,586 | 251,266 | <u>10%</u> |
| TOTAL CAPITAL PROJECTS FUNDS | 27,373,112 | 27,373,112 | 12,134,660 | 44% | 11,852,778 | 281,882 | 2% |



Redevelopment Agency Year to Date Expenditures - Fiscal Year 2003/04 For the Month of March 2004 75% of Year Complete

| FUND NO. | FUND/ACTIVITY | THIS MONTH ACTUAL EXPENDITURES | ADOPTED BUDGET | AMENDED BUDGET | YTD EXPENDITURES | OUTSTANDING ENCUMBRANCES | TOTAL ALLOCATED | % OF TOTAL TO BUDGET |
|-------------|--|---|--------------------------------------|--------------------------------------|------------------------------------|----------------------------------|------------------------------------|----------------------------|
| 317 CAI | 317 CAPITAL PROJECTS | | | | | | | |
| | BAHS Administration BAHS Economic Developme BAHS CIP | 89,767 906,179 1,901,432 | 1,509,317 4,516,120 21,320,714 | 1,598,923 8,229,928 31,033,352 | 910,837 4,521,365 15,489,341 | 46,710 1,348,128 6,858,351 | 957,547 5,869,493 22,347,692 | 60% 71% <u>72%</u> |
| тот | AL CAPITAL PROJECTS | 2,897,378 | 27,346,151 | 40,862,203 | 20,921,543 | 8,253,189 | 29,174,732 | <u>71%</u> |
| 327 ANI | D 328 HOUSING | | | | | | | |
| | Housing | 190,930 | 4,592,332 | 9,438,767 | 4,270,824 | 67,480 | 4,338,304 | <u>46%</u> |
| то | TAL HOUSING | 190,930 | 4,592,332 | 9,438,767 | 4,270,824 | 67,480 | 4,338,304 | <u>46%</u> |
| TOTAL | CAPITAL PROJECT FUNDS | 3,088,308 | 31,938,483 | 50,300,970 | 25,192,367 | 8,320,669 | 33,513,036 | 67% |

Redevelopment Agency of the City of Morgan Hill Balance Sheet Report - Fiscal Year 2003/04 For the Month of March 2004 75% of Year Complete

| | CAPITAL PROJECTS (Fund 317) | Housing (Fund 327/328) |
|--|--------------------------------|---------------------------|
| ASSETS | , , | , |
| Cash and investments: | | |
| Unrestricted | 7,011,112 | 4,828,385 |
| Accounts Receivable | 3,549 | 7,806 |
| Loans and Notes Receivable ¹ | 3,339,118 | 24,245,873 |
| | 3,333,113 | 2-1,2-10,010 |
| Advance to Other Funds | | |
| Fixed Assets ² | 71,049 | |
| Other Assets | | |
| | | |
| Total Assets | 10,424,828 | 29,082,064 |
| LIABILITIES | | |
| | | |
| Accounts Payable and Accrued Liabilities | 20,180 | 13,353 |
| Deferred Revenue ³ | 1,143,834 | 6,286,255 |
| Accrued Vacation and Comp Time | | |
| Total liabilities | 4 404 044 | 5 000 500 |
| i otai liabilities | 1,164,014 | 6,299,608 |
| FUND BALANCE | | |
| Fund Balance | | |
| | | |
| Reserved for: | | |
| Encumbrances | 8,253,189 | 67,480 |
| Advance to Other Funds | 3,203,100 | 5.,.55 |
| Properties Held for Resale | 71,049 | |
| Loans and Notes Receivable | 2,195,284 | 17,959,619 |
| Total Reserved Fund balance | 10 510 522 | 48 027 000 |
| Total Reserved Fulld balance | 10,519,522 | 18,027,099 |
| Unreserved Fund Balance | (1,258,708) | 4,755,357 |
| Total Fund Balance | 9,260,814 | 22,782,456 |
| Total Liabilities and Fund Balance | 10,424,828 | 29,082,064 |
| i otai Liabilities allu Fullu Dalalice | 10,424,020 | 29,002,004 |

 $^{^{\}rm 1}$ Includes Housing Rehab loans and loans for several housing and Agency projects. $^{\rm 2}$ Includes RDA properties held for resale.

³ Includes the deferred payment portion of the loans noted above.



CITY COUNCIL STAFF REPORT MEETING DATE: APRIL 28, 2004

| Agenda Item # 2 |
|-------------------------------|
| Recommended and Submitted By: |

Mayor

CITY MANAGER'S EMPLOYMENT

RECOMMENDED ACTION(S):

- 1. Approve the attached Second Amendment to the Employment Agreement Between the City of Morgan Hill and J. Edward Tewes to extend the term of the agreement; and
- 2. Authorize the Mayor to execute the amendment on behalf of the City.

EXECUTIVE SUMMARY:

The term of the City Manager's Employment Agreement currently expires on June 30, 2005.

I am recommending that the term be extended until June 30, 2006 and that the agreement be amended to provide for further extensions, unless the Council provides advance notice.

FISCAL IMPACT:

None. The current employment terms will be extended to June 30, 2006.

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT BETWEEN CITY OF MORGAN HILL AND J. EDWARD TEWES

THIS AGREEMENT is made this ____ day of April, 2004, by the City of Morgan Hill, a municipal corporation, ("City"), and J. Edward Tewes ("Tewes").

RECITALS

The following recitals are a substantive part of this Agreement:

- 1. This Agreement is entered into based upon the City of Morgan Hill's City Council approval on April 28, 2004.
- 2, City and Tewes desire to amend the Employment Agreement between them dated September 27, 2002, as amended on April 17, 2003, attached as Exhibit A to this Agreement and incorporated herein.

AGREEMENT

THE PARTIES MUTUALLY AGREE AS FOLLOWS:

- 1. Terms and Conditions of Original Agreement. All terms and conditions contained in the Agreement are to remain in full force and effect with the sole exception of Paragraphs 4.1, 4.3, and 5.2, which are hereby modified to read:
 - 4.1. TEWES agrees to remain in the exclusive employ of the CITY until June 30, 2006, and neither to accept other employment nor become employed by another employer until such termination date, or subsequent termination date as provided hereafter.
 - 4.3 On July 1st of each year of this Agreement, the termination date of this Agreement shall be automatically extended for an additional one year period unless by the preceding April 1st the CITY provides written notice to Tewes of its determination to not extend the term. In the event of such written notice, the termination date of the contract shall be on June 30th of the following calendar year, fifteen (15) months subsequent to the notice.

5.2 In the event of separation from employment by the Council prior to June 30, 2006 or any subsequent termination date, while still willing and able to perform the duties of City Manager, TEWES shall be entitled to receive compensation, consisting of a lump-sum payment of twelve (12) months of base salary and benefits, ("severance payment")

| CITY OF MORGAN HILL | J. EDWARD TEWES |
|------------------------------|-----------------|
| By: Dennis Kennedy, Mayor | By: |
| Date: | Date: |
| ATTEST: | |
| By: City Clerk Date: | |

T:\Agreements-Contracts-Deeds\Tewes Employment Agreement Second Amendment 4-04.doc



REDEVELOPMENT AGENCY/CITY COUNCIL STAFF REPORT

MEETING DATE: APRIL 28, 2004

BUSINESS ASSISTANCE GUIDELINES

RECOMMENDED ACTION(S): Discuss the Business Assistance Guidelines and direct staff to make modification as approved.

EXECUTIVE SUMMARY: At the April 7, 2004 Agency Meeting, Councilmember Chang requested staff to agendize for discussion the Agency's Business Assistance Guidelines (see attached). The Business

Agenda Item # 3

Approved By:

BAHS Director

Submitted By:

Agency's Business Assistance Guidelines (see attached). The Business Assistance Guidelines (Guidelines) were established by the Agency to provide parameters for staff to consider in evaluating requests for financial assistance from businesses. These Guidelines were approved in February 1999 by the Agency and incorporated within the Economic Development (ED) Strategy approved by the Agency in May 2003. However, Policy 1C under the ED Strategy's Business Attraction Policies and Actions does state that the Agency would "Review and evaluate the City's business assistance guidelines annually, at a minimum, and make modifications as appropriate (see attached)." The associated action (Action 1I) with the policy states the Council's Economic

Executive Director

As background, we have also provided a copy of the draft General Fund Reserve Investment Guidelines produced by the Council's Finance and Audit Committee and referred by the Council to the ED Committee for consideration.

Development Committee will undertake this annual review and make recommendations to the City

FISCAL IMPACT: None at this time

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regarding revisions.



CITY COUNCIL STAFF REPORT MEETING DATE: APRIL 28, 2004

COUNCIL LIBRARY SUB-COMMITTEE STATUS REPORT ON LIBRARY SITE SELECTION

RECOMMENDED ACTIONS: Receive report and provide further direction to the Library Sub-Committee.

Agenda Item # 4 Prepared By: Manager, Recreation & Community Services Submitted By: City Manager

EXECUTIVE SUMMARY:

The Council appointed a library facility sub-committee consisting of Mayor Kennedy and Council member Tate to work with an extended committee to review potential library sites and funding options in light of the state grant. The committee was given a timeline to report back to the Council by June. The extended sub-committee include: Library Commission Chair Jeanne Gregg, Library Commissioners Charles Cameron, George Nale, alternate Einar Anderson, Community Librarian Nancy Howe, Public Member Carol Holzgrafe and City Staff Ed Tewes, Julie Spier and Jim Dumas.

In a Council report on January 21, 2004, the Sub-Committee reported that initial discussion involved four sites: A. Existing Library/ expansion, renovation, and/or demolition; B. New location at Civic Site/grant application site; C. Britton School Site/ corner of Keystone & Monterey; and D. Sun-Sweet property/ 3rd & 4th street block between Monterey and Depot. Council recommended further review by the sub-committee on all four sites based on the assumption that the building footprint would be 28,000sg.ft for phase one with a future 10,000sg.ft. expansion.

Discussion with the school district board and staff members on two occasions reflected no interest at this time by MHUSD to continue reviewing the Britton site as a viable option based on the timeline and level of interest. The existing library site was also an eliminated option by the sub-committee as too expensive and cumbersome for remodel and expansion. In February, the expanded sub-committee chose to narrow the site options for further review and public comment to the remaining two options, the new location at the civic center grant site and the Sun-sweet site. This has resulted in two different types of proposals for Council consideration: a traditional "design/bid/build" public project on the Civic Center Site or a leased public/private project on a downtown site.

Attached are the (A) Library Recommendation Timeline for public review and input with budget and site recommendations to be presented to the Council on June 23, 2004; the (B) City Manager's Preliminary Analysis of Library Construction Proposals as presented to the Library Commission on April 12, 2004; and (C) Preliminary Morgan Hill Library Site Option Costs. Several of the financial business issues identified in that preliminary analysis remain in flux, so it is not possible to come to any definitive conclusions about project costs and financing structure. The sub-committee's expectation is that when a single option has been selected, substantive negotiations can begin. This is also in line with the anticipated announcement of the State Library Grant Round three funding results anticipated in September 2004.

Mayor Kennedy and Council member Tate can further discuss the committee's logic in moving forward with the two remaining sites as options for public comment and Council review.

FISCAL IMPACT: The Library Facility has \$7.14 million remaining in the Capital Improvement Budget.